

Fiscal Note

Fiscal Services Division



SF 2318 – Uniform Mental Health and Disability Services Property Tax Levy (LSB5660SV)
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Fiscal Note Version – New

Description

Senate File 2318 creates a uniform statewide Mental Health and Disability Services (MHDS) property tax levy maximum that is equal to a per capita expenditure target of \$47.28 multiplied by a county's general population beginning in FY 2017.

Background

In 1995, the General Assembly enacted **SF 69 (Property and Income Tax Act)** that changed the way the county mental health and disability services system was funded and how the county mental health property tax was levied. Unlike other property tax levies that are calculated based on a dollar rate per \$1,000 of property valuation, the county mental health and disability services levy was capped at a dollar amount. Counties were then allowed to choose to lock in their FY 1994 actual expenditures or their FY 1996 net expenditures as their new levy dollar cap (see column D of **Attachment A**). After FY 1996, with no option to increase the county levy and no growth in the rate due to increased property value, the state became responsible for funding all new growth in the system, and as a result of the dollar limit freeze, county property tax rates for the levy declined between 1996 and 2016 as property valuations increased. When counties locked in levy rates in 1995, there was significant variation between county levies, and with the growth and shift in population since 1996, those variations have only increased.

In 2012, **SF 2315 (Adult Disability Services Redesign Act)** created a new mental health and disability services levy that began July 1, 2013. The old formula was eliminated and replaced with a new formula that distributed funding on a per capita basis (see column E of **Attachment A**). The new levy has a cap of \$125.8 million, the same dollar amount as the previous levy; however, it is converted to a county per capita dollar amount based on general population with a new dollar target of \$47.28 per capita. In any fiscal year that a county base year levy cap is less than the per capita dollar amount, the legislation provides for an equalization payment to make up the difference and bring a county to \$47.28 per capita. If a county currently levies more than the per capita amount, they will be required to reduce their levy to the per capita rate of \$47.28. The state provided equalization funding for counties that levied less than the \$47.28 for two fiscal years, FY 2014 and FY 2015, but continues to require counties levying more than \$47.28 per capita to reduce their levy to that amount. The per capita levy formula is set to sunset at the end of FY 2017, and counties that were required to reduce their levy based on the \$47.28 cap will be able to levy up to the \$125.8 million statewide total. **Senate File 2315** also shifted the county mental health system to a regional system creating 14 mental health regions. Most regions pool their levies, creating a funding challenge for those counties with a low per capita levy rate due to inequity.

Assumptions

The bill sets a new cap on the MHDS property tax levy at \$47.28 multiplied by a county's general population.

Fiscal Impact

Allowing counties that are currently levying less than \$47.28 to levy up to that rate will have the potential for a property tax increase of \$32.3 million in FY 2017 (see column G of

Attachment A), with 53 counties allowed to increase their property taxes and 46 counties remaining at the \$47.28 cap. (**Attachment B** provides a graphical illustration of the law change). In FY 2018 and beyond, the property tax cap will increase based on population growth. Over the past three years, the average population increase has been 0.46%, or \$676,000 for FY 2018. Any property tax increase must be approved by a county's Board of Supervisors. In addition, the DHS is required to approve regional service plans and counties are limited to a 25.0% fund balance.

Due to substantial fund balances in many counties, it is unlikely that most counties will increase their property taxes in the short term. The Iowa State Association of Counties indicated eight counties may increase their levies by a total of \$15.4 million in FY 2017 if given the opportunity.

Region	County	Population	Current FY 2017 Cap	New Projected FY 17 Rate	FY 2017 Potential Increase
CSS	Butler	15,006	\$ 25.98	\$ 35.18	\$ 138,012
CSS	Tama	17,451	32.59	35.18	45,127
Eastern Iowa	Scott	171,387	19.30	38.50	3,290,368
Heart of Iowa	Dallas	77,400	19.70	47.28	2,134,934
East Central Iowa	Benton	25,680	35.38	36.72	34,328
East Central Iowa	Johnson	142,287	22.06	36.72	2,086,384
Polk	Polk	459,862	31.40	47.28	7,303,100
Sioux River	Plymouth	24,874	14.62	28.70	350,113
					\$ 15,382,365
CSS = County Social Services					

With the exception of Polk County, which is a single-county region, the counties within the other seven regions will likely reduce their levies, creating funding equity among all counties in a region and offsetting a portion of the increase.

Sources

Department of Management
Iowa State Association of Counties

/s/ Holly M. Lyons

April 18, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Attachment A
County Mental Health and Disability Services Property Tax Levy

A	B	B	D	E	F	G	E+G=H
Region	Name	2014 Est. Pop.	Historical Maximum	Current Maximum	Current Per Capita Maximum	2017 Per Capita vs. Current	Per Capita Maximum FY 2017
Central Iowa	Boone	26,433	\$ 878,976	\$ 878,976	\$ 33.25	\$ 370,776	\$ 1,249,752
Central Iowa	Franklin	10,436	358,934	358,934	34.39	134,480	493,414
Central Iowa	Hamilton	15,117	860,241	714,732	47.28	0	714,732
Central Iowa	Hardin	17,311	898,104	818,464	47.28	0	818,464
Central Iowa	Jasper	36,872	3,120,466	1,743,308	47.28	0	1,743,308
Central Iowa	Madison	15,609	534,189	534,189	34.22	203,805	737,994
Central Iowa	Marshall	40,866	2,115,400	1,932,144	47.28	0	1,932,144
Central Iowa	Poweshiek	18,668	444,227	444,227	23.80	438,396	882,623
Central Iowa	Story	94,073	3,066,575	3,066,575	32.60	1,381,196	4,447,771
Central Iowa	Warren	47,956	1,084,011	1,084,011	22.60	1,183,349	2,267,360
CSS	Allamakee	14,038	786,775	663,717	47.28	0	663,717
CSS	Black Hawk	132,897	5,779,837	5,779,837	43.49	503,533	6,283,370
CSS	Butler	15,006	389,899	389,899	25.98	319,585	709,484
CSS	Cerro Gordo	43,254	2,284,794	2,045,049	47.28	0	2,045,049
CSS	Chickasaw	12,264	572,250	572,250	46.66	7,592	579,842
CSS	Clayton	17,692	868,795	836,478	47.28	0	836,478
CSS	Emmet	9,990	820,900	472,327	47.28	0	472,327
CSS	Fayette	20,343	773,024	773,024	38.00	188,793	961,817
CSS	Floyd	16,077	610,064	610,064	37.95	150,057	760,121
CSS	Grundy	12,375	530,188	530,188	42.84	54,902	585,090
CSS	Hancock	11,027	629,221	521,357	47.28	0	521,357
CSS	Howard	9,449	364,201	364,201	38.54	82,548	446,749
CSS	Humboldt	9,640	473,531	455,779	47.28	0	455,779
CSS	Kossuth	15,222	1,140,780	719,696	47.28	0	719,696
CSS	Mitchell	10,779	610,215	509,631	47.28	0	509,631
CSS	Pocahontas	7,138	440,242	337,485	47.28	0	337,485
CSS	Tama	17,451	568,799	568,799	32.59	256,284	825,083
CSS	Webster	36,955	2,146,797	1,747,232	47.28	0	1,747,232
CSS	Winnebago	10,559	433,910	433,910	41.09	65,320	499,230
CSS	Winneshie	20,768	1,428,756	981,911	47.28	0	981,911
CSS	Worth	7,624	441,512	360,463	47.28	0	360,463
CSS	Wright	12,840	554,967	554,967	43.22	52,108	607,075
East Central	Benton	25,680	908,642	908,642	35.38	305,508	1,214,150
East Central	Bremer	24,721	1,294,995	1,168,809	47.28	0	1,168,809
East Central	Buchanan	21,038	1,292,163	994,677	47.28	0	994,677
East Central	Delaware	17,398	926,948	822,577	47.28	0	822,577
East Central	Dubuque	96,370	5,165,648	4,556,374	47.28	0	4,556,374
East Central	Iowa	16,375	729,235	729,235	44.53	44,975	774,210
East Central	Johnson	142,287	3,138,395	3,138,395	22.06	3,588,934	6,727,329
East Central	Jones	20,454	883,021	883,021	43.17	84,044	967,065
East Central	Linn	217,751	8,195,141	8,195,141	37.64	2,100,126	10,295,267
Eastern	Cedar	18,411	968,646	870,472	47.28	0	870,472
Eastern	Clinton	48,051	2,883,428	2,271,851	47.28	0	2,271,851
Eastern	Jackson	19,482	787,145	787,145	40.40	133,964	921,109
Eastern	Muscatine	42,903	2,055,392	2,028,454	47.28	0	2,028,454
Eastern	Scott	171,387	3,308,032	3,308,032	19.30	4,795,145	8,103,177
Heart of Iowa	Audubon	5,794	595,900	273,940	47.28	0	273,940
Heart of Iowa	Dallas	77,400	1,524,538	1,524,538	19.70	2,134,934	3,659,472
Heart of Iowa	Greene	9,200	627,158	434,976	47.28	0	434,976
Heart of Iowa	Guthrie	10,722	614,141	506,936	47.28	0	506,936

Attachment A
County Mental Health and Disability Services Property Tax Levy

A	B	B	D	E	F	G	E+G=H
Region	Name	2014 Est. Pop.	Historical Maximum	Current Maximum	Current Per Capita Maximum	2017 Per Capita vs. Current	Per Capita Maximum FY 2017
North West	Clay	16,515	\$ 402,866	\$ 402,866	\$ 24.39	\$ 377,963	\$ 780,829
North West	Dickinson	16,935	412,509	412,509	24.36	388,178	800,687
North West	Lyon	11,683	248,113	248,113	21.24	304,259	552,372
North West	Obrien	14,056	570,532	570,532	40.59	94,036	664,568
North West	Osceola	6,218	195,225	195,225	31.40	98,762	293,987
North West	Palo Alto	9,099	688,176	430,201	47.28	0	430,201
Polk	Polk	459,862	14,439,175	14,439,175	31.40	7,303,100	21,742,275
Rolling Hills	Buena Vista	20,578	669,512	669,512	32.54	303,416	972,928
Rolling Hills	Calhoun	9,866	431,560	431,560	43.74	34,904	466,464
Rolling Hills	Carroll	20,562	1,800,630	972,171	47.28	0	972,171
Rolling Hills	Cherokee	11,836	477,158	477,158	40.31	82,448	559,606
Rolling Hills	Crawford	17,228	1,012,457	814,540	47.28	0	814,540
Rolling Hills	Ida	7,042	300,889	300,889	42.73	32,057	332,946
Rolling Hills	Sac	10,035	579,215	474,455	47.28	0	474,455
Rural	Clarke	9,217	430,559	430,559	46.71	5,221	435,780
Rural	Decatur	8,263	321,858	321,858	38.95	68,817	390,675
Rural	Lucas	8,701	441,861	411,383	47.28	0	411,383
Rural	Marion	33,365	1,089,896	1,089,896	32.67	487,601	1,577,497
Rural	Monroe	8,001	340,278	340,278	42.53	38,009	378,287
Rural	Ringgold	5,051	342,082	238,811	47.28	0	238,811
Rural	Wayne	6,395	254,099	254,099	39.73	48,257	302,356
Sioux River	Plymouth	24,874	363,771	363,771	14.62	812,272	1,176,043
Sioux River	Sioux	34,681	1,027,388	1,027,388	29.62	612,330	1,639,718
Sioux River	Woodbury	102,271	3,564,086	3,564,086	34.85	1,271,287	4,835,373
South Central	Appanoose	12,661	607,651	598,612	47.28	0	598,612
South Central	Davis	8,781	426,870	415,166	47.28	0	415,166
South Central	Mahaska	22,370	1,227,887	1,057,654	47.28	0	1,057,654
South Central	Wapello	35,212	2,447,733	1,664,823	47.28	0	1,664,823
Southeast	Des Moines	40,255	1,751,030	1,751,030	43.50	152,226	1,903,256
Southeast	Henry	20,217	846,381	846,381	41.86	109,479	955,860
Southeast	Jefferson	17,325	607,300	607,300	35.05	211,826	819,126
Southeast	Keokuk	10,231	490,075	483,722	47.28	0	483,722
Southeast	Lee	35,286	2,164,720	1,668,322	47.28	0	1,668,322
Southeast	Louisa	11,161	601,189	527,692	47.28	0	527,692
Southeast	Van Buren	7,468	314,328	314,328	42.09	38,759	353,087
Southeast	Washington	22,070	781,141	781,141	35.39	262,329	1,043,470
Southern Hills	Adair	7,454	309,066	309,066	41.46	43,359	352,425
Southern Hills	Adams	3,875	191,282	183,210	47.28	0	183,210
Southern Hills	Taylor	6,143	140,346	140,346	22.85	150,095	290,441
Southern Hills	Union	12,516	751,659	591,756	47.28	0	591,756
Southwest	Cass	13,448	789,047	635,821	47.28	0	635,821
Southwest	Fremont	7,022	462,193	332,000	47.28	0	332,000
Southwest	Harrison	14,324	920,559	677,239	47.28	0	677,239
Southwest	Mills	14,831	609,781	609,781	41.12	91,429	701,210
Southwest	Monona	8,996	375,993	375,993	41.80	49,338	425,331
Southwest	Montgomery	10,421	369,740	369,740	35.48	122,965	492,705
Southwest	Page	15,496	652,027	652,027	42.08	80,624	732,651
Southwest	Pottawattamie	93,128	4,745,180	4,403,092	47.28	0	4,403,092
Southwest	Shelby	11,948	885,694	564,901	47.28	0	564,901
		3,107,126	\$ 125,781,915	\$ 114,649,218	\$ 36.90	\$ 32,255,699	\$ 146,904,917

Note: The levies on this sheet represent maximum levies and do not reflect actual levies that are less in many cases due to counties spending down fund balances or the region not needing the funds.

CSS = County Social Services

Attachment B – Per Capita Rate Change Explanation

